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Rosenthal, Benjamin Jefferson

Should the business men of the United States...

Chicago

1916

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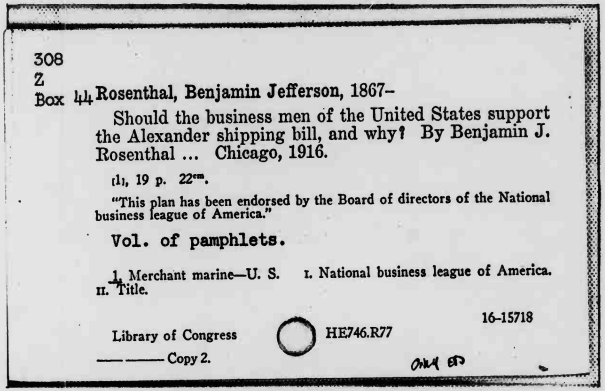
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Box 44 Rosenthal, Benjamin Jefferson, 1867–
Should the business men of the United States support the Alexander shipping bill, and why? By Benjamin J. Rosenthal ... Chicago, 1916.
[1], 19 p. 22cm.
"This plan has been endorsed by the Board of directors of the National business league of America."
Vol. of pamphlets.
1. Merchant marine—U. S. I. National business league of America. II. Title.
16-15718
Library of Congress HE746.R77
Copy 2.
Ord ED

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-4-97 INITIALS: MD

TRACKING # : 20953

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JUL 10 1916

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SHOULD THE BUSINESS MEN OF THE UNITED STATES SUPPORT THE ALEXANDER SHIPPING BILL, AND WHY?

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BY

BENJAMIN J. ROSENTHAL

Vice-President, The National Business League of America,
North American Building, Chicago

You are earnestly requested to read every word of this pamphlet. Every business man in the country is most vitally affected. There is no partisan issue involved, the only issues being progress, safety, and prosperity. If you approve of these views, kindly show your interest in the movement to bring about the speedy restoration of the American flag on the high seas, by immediately wiring or writing to your REPRESENTATIVES *at Washington, strongly urging them to support this most vital measure.*

CHICAGO, U. S. A.
1916
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SHOULD THE BUSINESS MEN OF THE UNITED STATES SUPPORT THE ALEXANDER SHIPPING BILL, AND WHY?

By Benjamin J. Rosenthal

Vice-President, The National Business League of America, North American Building, Chicago, U. S. A.

I have been asked this question by many business men, who are desirous of obtaining light on this bill, designated as H. R. 10500, 64th Congress, 1st session. In view of the fact that I have advocated a measure in some respects similar to the Alexander plan, and as the subject of an American merchant marine is one to which I have given years of thought, long before the present war, I hope that I may be considered qualified, in some slight respect at least, to throw light on this, perhaps the most important subject that has been before the American nation since the Civil War, and one that most vitally affects every one of our citizens.

I might add, in passing, that my book, entitled "The Need of the Hour, An American Merchant Marine," will be sent free, upon request, to any

of my readers who wish to pursue this subject further.

For many years I have advocated that our government enter the shipping field in so far at least as to construct ships that could be readily converted into naval auxiliaries in time of war, but to be operated as merchant ships on the high seas in time of peace. I have had in mind that some would argue that this would drive private capital out of this interest. I have maintained, and still maintain, that it will do nothing of the kind, and shall explain how I arrive at this conclusion; but in the first place, how can it drive out anything that has not existed for fifty years? For since the Civil War the investment of American capital in ships sailing under the American flag has been practically nothing, and were it not for this condition, and for the fact that up to the present war the American flag on a merchant ship on the high seas has been regarded rather as a curiosity, and that we were carrying less than 9% of our great oversea commerce on our own bottoms, this agitation for an American merchant marine, which is sweeping the entire country, would not now be necessary.

Private capital has had many opportunities since the Civil War to enter this field, where the American nation up to that time had been supreme, and it was not because of unfair shipping laws which many asserted was the reason

that private capital refused to enter, but because capital preferred to invest in railroads and other important enterprises which tended to develop our nation, and which presented such attractive inducements, and we are satisfied that it did, for since the Civil War a tremendous development of our own country has kept American capital well invested. During our Civil War foreign nations had taken advantage of our internal condition, and they developed their merchant marine to such an extent that American capital until quite recently has seemed rather timid about re-entering the field in competition with them, and then there has been considerable anxiety as to the attitude of the combine, known as the shipping trust, toward any new competitor. The situation was partially tested out several years ago when a well known financier, formerly very prominent in the shipping field, attempted to raise a fund of $15,000,000 to re-enter the merchant shipping, and found that the trust's influence, even among the financial men, was so potent that he was unable to raise the money and was compelled to abandon the project.

However, aside from all this, and assuming that capital would embark in the shipping business, if assured that it would not have to compete with the government, I can assure it, upon the very best of authority, that if capital will re-enter this field, the ships that the government constructs or purchases will never be used against American private shipping, so long as it conducts its business in a legitimate manner and accords the American shipper fair treatment, for if eventually the Alexander bill should result in the government being obligated to operate any or even all of these ships that are constructed under its provisions, they will be put on routes that are not now profitable for the ship owner, by reason of the fact that there is not enough business over them at present, and while the government would in a sense be pioneering, and there might be a slight loss temporarily, the government, because it would eliminate considerable of the overhead that private capital would require, and because after all it would be building up new business for the American manufacturer, would be justified in undertaking the project, and would be rendering the American citizens an incalculable service.

One must also bear in mind this fact, that our navy lacks at least 500,000 tons of auxiliary ships and it is most essential that these ships be constructed at once, for it is generally agreed that we have been disgracefully negligent in not having supplied this need long ago, and instead of constructing these ships and permitting them to remain idle, the same as our naval ships, I hardly think any one will disagree with me, especially as merchant ships are so badly needed, if the government, if it could neither sell nor lease them at a

fair return on the investment to private capital, operated them on routes that would not compete with private enterprise. Aside from this, the government's operation of these ships would serve as a check upon the shipping trust, and it would have a marked tendency toward stabilizing freight rates; so all in all, I maintain that no possible injury would result to any legitimate shipping enterprise.

In December, 1911, surely long before we thought of this unfortunate war, I was invited to present my views on the merchant marine before a congress of business men, held in Chicago, and during my argument, which was along the lines of government ownership and operation in connection with our naval organization, I said, "and in case of war between any of the great shipping nations, instead of having our commerce paralyzed, as we would have it under present conditions, on account of inability to secure ships for our commerce, we would go right on attending to our business and shipping the exports of our own nation on our own bottoms." If at that time I had only been able to convince our citizens of the seriousness of the situation, think of the loss of American lives that might have been saved, and the millions of dollars that would have been saved in freight rates, already enough to have built an entire merchant fleet, and the millions that would have been added to our exports, for a sufficient supply of

American tonnage would have averted this tremendous loss and present congestion of freight at our docks. This congress adjourned after hearing the argument of different individuals as to the best plan to pursue to bring about a restoration of the American flag on merchant ships on the high seas. Before adjourning, however, it appointed a most representative body of business men, upon a resolutions committee, and this committee was instructed to report its recommendations at a later date. The names, occupation, and action of this committee after due consideration, are given herewith.

Personnel of the Resolutions Committee of the National Business Congress, appointed December 13-15, 1911, and Resolution in re American Merchant Marine, adopted for submission to the business interests of the United States, at The Blackstone Hotel, Chicago, June 27-28, 1913.

The Congress was held under the auspices of the National Business League of America.

George W. Sheldon, President (G. W. Sheldon & Company, Custom House Brokers, Chicago).

Henry M. Wallis (President, J. I. Case Plow Works, Racine, Wisconsin).

Edward J. Nally (V. President, Postal Telegraph-Cable Company, New York City).

Alfred H. Mulliken (President, Pettibone, Mulliken & Company, Railway Supplies, Chicago).

Frederic E. Boothby (President, Chamber of Commerce, Portland, Maine).

Frederick S. Fish (President, Studebaker Corporation, South Bend, Indiana).

George M. Reynolds (President, Continental and Commercial National Bank, Chicago).

Silas H. Burnham (President, First National Bank, Lincoln, Nebraska).

John Kirby, Jr. (President, National Association of Manufacturers, President, Dayton Mfg. Co., Dayton, Ohio.

Edwin Chamberlain (Vice President, San Antonio Loan & Trust Company, San Antonio, Texas).

George R. Brown (Secretary, Board of Trade, Little Rock, Arkansas).

Arthur H. Devers (Closset & Devers, Wholesale Grocers, Portland, Oregon).

William H. Parlin (President, Parlin & Orendorff Company, Agricultural Implements, Canton, Illinois).

R. H. Downman (President, Bowie and other lumber companies, New Orleans, Louisiana).

Albert M. Marshall (President, A. M. Marshall & Company, Wholesale Hardware, Duluth, Minnesota).

William P. Ketcham (Lumber Merchant and Real Estate, Seattle, Washington).

Philetus W. Gates (President, Hanna Engineering Works, formerly Vice President, Allis-Chalmers Company, Chicago).

Robert J. Lowry (President, Lowry National Bank, Atlanta, Georgia).

George H. Barbour (Vice President, Michigan Stove Company, Detroit, Michigan).

Charles B. Boothe (President, Automobile Company, real estate and general business, Los Angeles, California).

RESOLUTION ADOPTED.

"Resolved, That as an effective means for the creation of an American Merchant Marine, a law be enacted empowering the Government to construct or purchase transports for the ships of the United States Navy, to be operated by naval seamen as merchant vessels in time of peace and as auxiliaries of the Navy in time of war."

ATTEST:

AUSTIN A. BURNHAM, *General Secretary, National Business Congress.*

As this was in June, 1912, and Congress was not in session, the League awaited the convening of the 63rd Congress in 1913, and it then learned that a Merchant Marine bill would be presented to Congress that, while not as far reaching as the legislation the League proposed, still it would be an important step toward bringing about what the League had been working for, for so long a time, and it decided that it would not interfere with the administration, thereby perhaps jeopardizing

their shipping bill, and up to the very last moment the League received every assurance that the legislation would be favorably acted upon in the upper house of Congress, the lower house having favorably voted upon it a long time before. The public no doubt will recall that in the last moments of Congress, this bill was defeated by a close margin in the United States Senate.

Now there is a new shipping bill by the same author (Mr. Alexander), before our present Congress, and it is this bill that I shall endeavor to explain to the business interests of this nation, for I attribute their indifference in the past to this legislation that so vitally affects them, to the defeat of the previous bill, and I hope this sad experience will teach them this lesson, that good citizenship demands more than the mere conduct of a business enterprise upon honest lines. It demands that every business man shall take stock of the proposed laws presented to the nation, and that it defeat such laws as are not for its best interests, and that it spare no effort to have enacted into law such measures as will upbuild the nation's resources and preserve its nationalism; and so it becomes the urgent duty of every business man who calls himself a citizen, to study this most important legislation for himself, and if after careful reflection he believes this bill will aid his country, he lose not a moment, but write his representatives in Congress, that as a citizen first and

then as a business man, he urges the immediate passage of the Alexander Shipping Bill.

The writer does not wish to be misunderstood—if he had his choice he would still favor the plan suggested in the Resolution, but he realizes that there is some opposition, and it is an honest difference of opinion as to whether the government should operate its own merchant ships in so far at least as its naval auxiliary requirements are concerned, or whether it shall give private capital another chance to secure ships and to re-enter this field, and so as one business man to another, he appeals to all, to earnestly support this bill, in order that not another moment be lost. Now, what are the provisions of this bill?

APPROPRIATION.

The bill provides for an appropriation of $50,000,000, to be repaid through the sale of Panama Canal bonds, and this amount will purchase about 500,000 tons of new merchant ships. These ships will be of the most approved designs, readily convertible into auxiliary naval ships, probably equipped with the Deisel engines, burning oil instead of coal, with hatchways so arranged that loading and unloading will be greatly expedited. Thus at one stroke the American ship owner will be able in all probability, to save whatever difference there may be between the cost of labor on an American ship as against a foreign one; at least

that now appears to be the opinion of experts who have studied this new means of ship construction and operation. Of course it is contemplated that if the government sells these ships that it will expend the proceeds upon more ships.

UNITED STATES SHIPPING BOARD.

All shipping will be under the direct jurisdiction of a shipping board selected by the President. A promise has already been given that no effort will be spared to secure men in whom the nation will have explicit confidence as to their integrity and ability.

POWERS OF THE BOARD.

This board is permitted to purchase, charter or construct vessels of a type, so far as commercial requirements of the marine trade may permit, suitable for use as naval auxiliaries and army transports in time of war, and it can charter, lease or sell such ships to be used in oversea or coastwise commerce, if built in American ship yards, and only in foreign commerce and our outlying possessions if built abroad. It is the intention that all the ships constructed under this act be American built, and the stipulation that if built abroad they cannot be operated in coastwise shipping, will probably result in the ships being constructed in American ship yards. It is expected that when ship builders

realize that the American people are now fully aroused, and the passage of this bill is only the initial step in the movement to make our merchant marine what it was before the Civil War, much capital will speedily come forth, especially while interest rates are so low, and large additions in ship building facilities will be undertaken. This movement is even now started.

CONDITIONS TO PURCHASERS OR LESSEES.

It is expressly provided that purchaser or lessee shall not sell, lease, charter or re-charter, any ship transferred by the board without the consent or approval of the board. This restriction will do away with any speculation in these ships, and those who purchase or lease them will do so only for the purpose of operating them.

RIGHT OF SEIZURE.

Of course the right is given to the government to seize with or without notice, any of these ships, to be used for either naval or military purposes, and the government will properly compensate those from whom these ships are taken. It was this law that permitted England to seize all the merchant ships that the exigency of war demanded, and which she has put to such excellent use in the prosecution of the war she is now engaged in. Without these ships of course she would have been practically helpless.

RIGHT OF GOVERNMENT TO ADD ITS PRESENT EQUIPMENT.

At this time the government owns some ships that have been used to carry supplies to the Panama Canal district, and it also possesses some transports that are not required in time of peace, and it is intended to place these ships in the service of the Merchant Marine.

RULES AND REGULATIONS CONCERNING OPERATIONS.

The bill requires that all ships coming under this act shall be registered under American registry, and that these ships shall be subject to all the laws, regulations, and liabilities governing merchant vessels, irrespective of what interest the United States may have in them. This places the United States in the same situation that a private owner would be in, in the event that the government should operate any merchant ships.

SALE OF SHIPS NOW UNDER AMERICAN REGISTRY.

Since the recent act of Congress admitting all ships owned by American citizens to American registry, irrespective of their age, some 800,000 tons of merchant ships have been added to our registry. These ships formerly sailed under foreign flags. Now it is only natural that the nation feels that inasmuch as these ships have voluntarily come under American registry, and have been the

recipients of the benefits of such registry during these crucial times; have enjoyed the protection of the American flag which rendered them safe from attack; have availed themselves of the unquestioned advantage of obtaining government insurance at a time when our government alone was offering this protection, and at rates that enabled them to carry shipping profitably, and besides have been permitted to demand whatever rates they deemed proper for cargoes, and it is notoriously apparent that they have not been at all backward in charges, that they should not now or at any subsequent time be permitted to go back to a foreign flag, and I say this without reserve, that whether a ship bill is passed or not, a law must be passed prohibiting these ships from leaving the American flag.

It must be borne in mind that most, if not all of these ships have written off their original cost in profits since the war. A parallel case would be that of a foreign citizen coming to this country, accepting all of its benefits, and lastly, applying and receiving naturalization papers, in order to assist him to make more money, and to be under the protection of the American nation, and after he has enjoyed all these benefits, going back to the country from which he came, taking all of his gain with him and then renouncing this country—just whatever we would think of him is just what we must think of the ship company that attempts to

do the same thing. Under the laws of Germany not a single share of stock in a German ship can be transferred to a non-German and in England practically the same law is in effect, and I doubt if any other nation would permit it.

BOARD MAY REGULATE.

This section gives the board the right to regulate the operation of all engaged as common carriers by water, between either domestic ports, not entirely within the limits of a single state, or between the United States and foreign countries, or the United States and its possessions; and it gives the board the right to prescribe reasonable and just rates. It has been claimed that the shipping trust has in the past discriminated very much against the American shipper, by giving him poorer ships, more irregular communication with his customers, and by giving rebates to foreign competitors. It appears that this condition is quite generally admitted. If it is true, it will be in the power of the board to see that these unfair practices are stopped and the American shipper receives equal advantages with the foreign shipper. This regulation will also accelerate American ship building, for it has been loath to enter the field in competition with the shipping trust, not knowing just what its fate might be, if the trust should decide not to let it operate. The forcing out of business of the Pan-American

Steamship Company in 1912, was an illustration of the practices of the shipping trust against American shipping companies.

PREFERENTIAL RATES.

For a great many years, public speakers on international trade have pointed out to the American public that foreign countries, and especially Germany by reason of her ownership of her railroads and her close relationship with her business interests, made preferential rates to her subjects, so that merchandise might be transported from the inland to foreign ports at a preferential rate. This enabled her, it was argued by many, to greatly enlarge her foreign commerce. Now this bill gives the board, if the railroads and the water carriers cannot agree upon their proper proportion, the right to act in conjunction with the Interstate Commerce Commission in the adjustment of a joint preferential rate. The provision ought to go far toward the building up of our export business, and the business men of this country should stand solidly behind this section of the bill.

THROUGH ROUTES.

The establishing of through routes in connection with the giving of preferential rates, ought to complete a chain of export routes that will be of great benefit to America in its foreign business.

INVESTIGATION OF MARITIME LAWS.

It has been charged time and time again that the maritime laws of this nation have been responsible for driving our ocean carrying commerce off the seas. If this is a fact, this board will be in a position to readily determine, for it will be clothed with full powers of investigation of this subject, and I am sure that if this condition exists, it will be but a short time when such laws as are inimical to our foreign commerce will be repealed.

RULES FOR OPERATION OF SHIPS.

It is provided that the board shall be governed by the acts of February 4, 1887, and supplementary acts that now govern the Interstate Commerce Commission, except that such regulations shall apply to common carriers by water, and that such carriers shall be under the control of the shipping board.

LICENSE.

All ships engaged in foreign trade entering American ports shall be required to procure a license after January 1, 1917, and such ships shall be under the rules of this board, and licenses may be revoked upon the violation of any such rules. Every one will be glad to learn that hereafter it is contemplated that if ship owners take advantage of our ports, they shall be controlled to the extent that they will do nothing that is inimical to the

American shipper, who contributes so largely to their success.

NAVAL RESERVE.

An excellent provision in this bill creates a volunteer naval reserve for our navy, with but a slight expense to the nation, for it permits seamen and officers engaged on merchant ships, to become members of our naval reserve, for which they receive slight compensation. It is a well known fact that our present naval complement is much below the requirements to man our navy, and it is expected that many who are engaged on the merchant ships, will join the reserve. In this manner England has built up its splendid naval organization. This is certainly a better plan than building auxiliary ships and permitting them to lie idle, and it is estimated that the expense of maintaining a naval reserve of 10,000 men will not be greater than the maintenance of a single battleship.

REPORT TO CONGRESS.

It is required that an annual report of the work of the board be made to Congress, and in this way the nation will be kept in close touch with the work of the board.

Now to briefly sum up the entire subject, I predict that the moment it is assured that this bill will be enacted into law, there will be many more applications for ships than the nation will be willing to supply, and that competition will be

very keen in the bidding for these ships. Personally I would much prefer that the government operate them as I have previously outlined, opening up new trade routes, for with the war tax that will necessarily be imposed on foreign shipping for many years, foreign ship owners will be so burdened that the American nation has now the greatest opportunity that has been presented to it since the Napoleonic wars, when it took advantage of its chance and built up the splendid merchant shipping that it possessed up to the Civil War. Every good business man believes in insurance; he insists upon insurance on almost everything he possesses, but until this nation has an adequate Merchant Marine to protect its navy, neither the lives nor the property of a single individual are insured, and they will not be safe until the business man has become sufficiently aroused and until this nation has an adequate fleet of merchant ships, built preferably by American labor in our own ship yards and manned by American seamen and sailing under the stars and stripes. Now is our opportunity. Will we arise to it? The answer rests with you business men.

BENJAMIN J. ROSENTHAL, Chicago, Ill.

This plan has been endorsed by the Board of Directors of the National Business League of America.

PHILETUS W. GATES, *President.*
BENJAMIN J. ROSENTHAL, *Vice-President.*
AUSTIN A. BURNHAM, *General Secretary.*

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